

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 ACDA-12 TRSE-00 EB-08 COME-00 OMB-01
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R 191509Z JAN 78
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 1898
INFO EC COLLECTIVE
USMISSION USNATO
USCINCEUR
USNMR SHAPE
USMISSION GENEVA

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USNMR SHAPE FOR POLAD
USCINCEUR FOR POLAD
ALSO FOR MTN AND USOECD

E.O. 11652: N/A
TAGS: PINR, PGOV, NL
SUBJECT: GON DELIVERS POLICY STATEMENT

1. SUMMARY: CONTINUITY IN FOREIGN POLICY AND DEFENSE
MAINTENANCE OF DEVELOPMENT AID LEVEL AND FURTHER STIMULATION
OF THE ECONOMY MARK THE POLICY OF THE NEW GON. ON DOMESTIC
SIDE PRIMIN VAN AGT'S STATEMENT LACKED SPECIFICS, AND MANY KEY
ISSUES WILL BE DEALT WITH IN SUBSEQUENT MESSAGES TO THE PARLIA-
MENT. END SUMMARY.

2. ON JANUARY 16, PRIME MINISTER VAN AGT DELIVERED THE
GOVERNMENT'S POLICY STATEMENT TO PARLIAMENT AND, IN ACCORDANCE
WITH CUSTOM, THE PARTIES STAKED OUT THEIR POSITIONS
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STICKING TO GENERAL THEMES, AND PROMISING DETAILS IN THE NEXT
MONTHS, VAN AGT HINTED AT NEW DIRECTIONS IN GON DOMESTIC
POLICY AS HE LAID EMPHASIS ON INDIVIDUAL RESPONSIBILITY INSTEAD
OF GOVERNMENT ACTIVISM. HE STRESSED THE NEED FOR RESTRAINT
IN GROWTH IN PUBLIC EXPENDITURE AS A MEANS OF FURTHER
ECONOMIC STIMULUS. ON NATO, EEC, HUMAN RIGHTS AND DEVELOPMENT
AID, HE STRESSED THE THEME OF CONTINUITY.

3. FORMER PRIME MINISTER DEN UYL, NOW LEADING LABOR PARTY OPPOSITION, BITTERLY SCORED THE CHRISTIAN DEMOCRATS FOR HAVING REJECTED A CENTER-LEFT GOVERNMENT IN FAVOR OF THE PRESENT CDA-VVD COALITION. RESPONDING TO VAN AGT'S CAUTIOUS APPROACH, DEN UYL PROPHESED ECONOMIC DOOM FOR THE WAGE EARNER AND DANGERS FOR DEMOCRACY, THOUGH HE CAREFULLY LEFT DOOR OPEN FOR COOPERATION WITH THE CDA IN A FUTURE COALITION. ALL PARLIAMENTARY FACTIONS DEMANDED CLARIFICATION OF GOVERNMENT POSITIONS.

4. FOREIGN POLICY: VAN AGT PROMISED CONTINUITY IN NETHERLANDS FOREIGN POLICY, SAYING THERE WILL BE NO CHANGE IN GON ATTITUDES ON HUMAN RIGHTS, UN, EAST-WEST RELATIONS, ARMS CONTROL, EUROPEAN UNITY AND NATO. HE VOICED SUPPORT FOR THE EUROPEAN PARLIAMENT AND EUROPEAN ECONOMIC AND MONETARY UNION.

5. DEFENSE: VAN AGT CONSIDERED "MEMBERSHIP IN NATO ESSENTIAL FOR PEACE AND SECURITY" AND CITED THE "ALARMING BUILDUP OF SOVIET MILITARY POWER OUT OF PROPORTION TO ITS DEFENSE INTERESTS." DEFENSE SPENDING WILL BE MAINTAINED IN REAL TERMS AT THE LEVEL PLANNED IN THE DEFENSE NOTE OF 1974. THE NEPTUNE MARITIME PATROL AIRPLANE WILL BE REPLACED.

6. DEVELOPMENT AID: GON WILL CONTINUE ITS AID LEVEL AT 1.5 PERCENT OF NET NATIONAL INCOME.

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7. ECONOMIC STIMULUS:

A. "CUTTING BACK" THE WELFARE STATE. VAN AGT'S MAJOR PRESCRIPTION FOR THE SLUGGISH ECONOMY IS A FURTHER, UNSPECIFIED CURB ON THE GROWTH OF THE PUBLIC SECTOR, TO TAKE EFFECT IN 1979. THIS WOULD MEAN LOWERING THE PREVIOUS GOVERNMENT'S GUIDELINE, WHICH LIMITS THE ANNUAL INCREASE IN TAXES AND SOCIAL SECURITY PREMIUMS TO ONE PERCENT OF GNP. WHILE INTERNATIONAL PRESS SERVICES MISLEADINGLY SPOKE OF A "CUTBACK IN THE GENEROUS WELFARE STATE," VAN AGT MADE THE POINT THAT ECONOMIES WOULD SPARE THE LOWEST INCOMES AND BE AIMED MORE AT COST-EFFICIENT ADMINISTRATION OF PRESENT PROGRAMS.

B. THE SECOND MAJOR TOOL TO STIMULATE THE ECONOMY IS TO BE THE PROPOSED INVESTMENT ACCOUNT ACT, THE FIRST PHASE OF WHICH VAN AGT HOPES TO BRING INTO FORCE ON APRIL 1, 1978. THIS ACT WOULD PUMP 13 BILLION GUILDERS (CURRENTLY ABOUT 5.73 BILLION DOLLARS) OVER A THREE-YEAR PERIOD INTO PRIVATE INVESTMENTS TO PROMOTE JOBS, HELP DEPRESSED REGIONS AND MEET SOCIAL AND ENVIRONMENTAL GOALS.

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C. VAN AGT PROMISED DETAILS BY THE END OF FEBRUARY ON THE
ADDITIONAL 2.5 BILLION GUILDER ECONOMIC STIMULATION PACKAGE
PROPOSED LAST AUTUMN.

8. INFLATION AND UNEMPLOYMENT: VAN AGT SAID THE GOVERNMENT WILL
CONTINUE PRICE CONTROLS, MAINTAIN INCOME RESTRAINTS AND AVOID
EXCESSIVE MONETARY FINANCING OF THE BUDGET DEFICIT. ON UNEM-
PLOYMENT, THE LAST CABINET'S PRINCIPAL CONCERN, VAN AGT
PROMISED A STUDY OF THE POSSIBILITIES OF CREATING WORK FOR THE
LONG-TERM UNEMPLOYED AND JOBLESS YOUTH.

9. MAJOR SOCIAL LEGISLATION: VAN AGT SAID THE GOVERNMENT
WILL SEEK ENACTMENT OF TWO MAJOR SOCIAL REFORMS ADVOCATED BY
ITS PREDECESSOR. AN EXCESS PROFITS SHARING BILL WILL BE SUB-
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MITTED BY APRIL 1. THE LAST CABINET'S BILL TO AMEND THE WORKS

COUNCILS ACT WILL BE PUT FORWARD BY THIS CABINET WITH A FEW CHANGES. THE CABINET ALSO WILL CONSIDER INTRODUCING A CAPITAL GAINS TAX ON REAL ESTATE AND SECURITIES.

10. ENERGY: VAN AGT SAID THE DECISION TO BUILD THREE NUCLEAR POWER STATIONS WOULD BE POSTPONED UNTIL THE PROBLEM OF RADIO-ACTIVE WASTE DISPOSAL IS SOLVED. HE PROMISED TO SUBMIT TO PARLIAMENT SOON A NOTE ON INCREASING THE USE OF COAL.

11. TRADE: VAN AGT CALLED EXPORT PROMOTION MEASURES ESSENTIAL BUT WARNED THAT, NO MATTER HOW BIG THE NATIONAL AND EUROPEAN COMMUNITY PROBLEMS ARE, EFFORTS TO FIGHT UNEMPLOYMENT AND INFLATION MUST NOT BRING ABOUT A RESURGENCE OF PROTECTIONISM. ON BEHALF OF DEVELOPING COUNTRIES HE CALLED FOR MINIMIZING THE OBSTACLES TO THE SALE OF THEIR PRODUCTS IN DEVELOPED COUNTRY MARKETS AND WIDEST POSSIBLE ACCESS TO FOREIGN CAPITAL MARKETS. MCCLOSKEY

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